TUTOR MARKED ASSIGNMENT

Course Code	**:**	**ECO - 01**
Course Title	**:**	**Business Organization**
Assignment Code	**:**	**ECO – 01/TMA/2016-17**
Coverage	**:**	**All Blocks**

Maximum Marks: 100

Attempt all the questions.

1. “Business may be owned by an individual or a group of persons.” In the light of the above statement enlist different forms of business organizations and explain how they are different from each other.

(20)

2. “A business organization requires both long term and short term capital which can either be on the form of ownership capital and borrowed capital.” Comment upon the statement with hypothetical example.

(20)

3. What is Foreign Trade? What are Import Trade, Export Trade and Entrepot Trade? Discuss its importance and the related problems in Foreign Trade.

(20)

4. Explain the pervasiveness of risks in business. Describe various types of business risks and the steps involved in managing business risk.

(20)

5. Write notes on the following:

   (a) Instruments of Government Control

   (b) Departmental Organization

   (c) Features of public institutions

   (d) Government companies

(4×5)

ASSIGNMENT SOLUTIONS GUIDE (2016-2017)

E.C.O.-1

Business Organisation

Disclaimer/Special Note: These are just the sample of the Answers/Solutions to some of the Questions given in the Assignments. These Sample Answers/Solutions are prepared by Private Teachers/Tutors/Authors for the help and guidance of the student to get an idea of how he/she can answer the Questions given in the Assignments. We do not claim 100% accuracy of these sample answers as these are based on the knowledge and capability of Private Teacher/Tutor. Sample answers may be seen as the Guide/Help for the reference to prepare the answers of the Questions given in the assignments. As these solutions and answers are prepared by the private teacher/tutor so the chances of error or mistake cannot be denied. Any Omission or Error is highly regretted though every care has been taken while preparing these Sample Answers/ Solutions. Please consult your own Teacher/Tutor before you prepare a Particular Answer and for up-to-date and exact information, data and solution. Student should must read and refer the official study material provided by the university.

Attempt all the questions.

Q. 1. "Business may be owned by an individual or a group of persons." In the light of the above statement enlist different forms of business organisations and explain how they are different from each other.

Ans. Business means any type of activity whether industrial, trading or service activity like banking, insurance etc. performed with a view to earn profit. When one gathers all the resources essential to carry on the business and make them work efficiently and in a systematic manner, we call it business organisation. The Entrepreneur or the one who owns the business establish his business, bears the risk of loss, enjoy the profits and even provides necessary funds. In case the business is run on small scale, single person can provide the funds, bear the risk and enjoy the profits. If it is run on large scale, it is essential to involve others to carry on the business a ctivities. An individual or a group of persons can own and control the business. If business is owned and controlled by a single person it is said to be sole trader organisation. If a group of persons own and control the business it is called partnership firm, a company or a cooperative society.

There are four types of business organisation based on ownership and management. Sole proprietorship and partnership forms are said to be non-corporate forms of organisations whereas company forms and cooperative societies are called corporate forms of organisation. Organisation makes the business proposition into a reality.

Sole Trader Organisation

It is defined as one man's business in which an individual produces independently with his own capital, skill and intelligence and receives all the profits and risks of ownership. It is carried on by a single person with some amount of capital. It is an ideal form for small businesses.

Features of Sole Trader Organisation

1. There is only one person involved and the ownership lies in his hands. He can borrow money from relatives or can invest his own.
2. The owner himself has to manage i.e. supervise and control the working of his business.
3. There is no difference between the owner and the enterprise, they both are same.
4. Sole proprietor enjoys all the profits, as there are no partners.
5. He has got unlimited liability but has to bear the risk of loss.

Comparison of Various Forms of Organisations

Basis of comparison	*Sole Proprietorship*	*Partnership*	*Private Limited Company*	*Public Limited Company*	*Cooperative of Society Organisation*
1. Capital	Very limited	Limited	Larger capital resources	Any amount can be raised	No substantial resources
2. Business secrets	Full secrecy	Secrets shared by partners	Secrets shared by members	Exposed to public	Exposed to members
3. State regulations	Almost nil	Very little	Considerable regulations	Excessive regulations	Considerable regulations
4. Auditing of accounts	Not required	Not required	Compulsory	Compulsory	Compulsory
5. Winding up	At will	At will	Under the act	Under the act	Under the act
6. Owner's liability	Unlimited	Unlimited	Limited	Limited	Limited subject to by-laws
7. Managerial expertise	Very limited expertise	Limited expertise	Scope for expertise	Very wide scope for expertise	Scope for expertise
8. Legal status	No separate legal status	No separate legal status	Separate legal status	Separate legal status	Separate legal status.

Q. 2. A busines Organizsation requires both long-term and short term capital which can either be in the form of ownership capital and borrowed capital." Comment upon the statement with hypothetical example.

Ans. Finance is said to be the most important requirement of business. If adequate finance is there, men, machinery, materials and managers can all be engaged in carrying out business activities. Finance is important because of two reasons, one as compared to past, now a-days activities related to business are carried on a much larger scale and second, manufacturing process have been more complex than in the past. The need for finance is increasing due to the growth in size and volume of business and with increasing complexity of production and trade. Finance should be available adequately as and when the need arises. Due to the changing business conditions, it is difficult to analyse what amount of finance should be arranged.

Types of Financial Needs

Financial needs can be classified into two ways:

(1) On the basis of extent of permanence:

***(a)* Fixed Capital:** Fixed capital means the funds required for purchase of fixed assets such as land, building, plant and machinery, furniture etc. These assets are used permanently and for a long duration. The amount of fixed capital required is determined by nature and size of the business. Large investments are required by manufacturing activities in fixed assets whereas trading concerns require lesser investment in fixed assets. Funds cannot be withdrawn for some other use, once they are invested in fixed assets.

***(b)* Working Capital:** Working capital means funds required for holding current assets such as stock of raw materials, finished goods, book debts, bills receivable etc. In order to fulfil the above mentioned purposes, finance is required at short intervals. Amount of working capital needed is determined by the processing time i.e. more amount of working capital is needed if processing time is longer. Amount of working capital is also determined by terms of credit allowed to customers. If credit period is longer and facilities of credit are provided to all customers, amount of working capital will be more.

(2) On the basis of period of use

***(a)* Long-term Capital:** It means finance required for use over a long period say five years or more, meant for purchase of fixed assets and continuous investment in a part of the current assets. It is generally required for a longer period.

***(b)* Short-term Capital:** It means funds required for short periods, less than a year, meant for financing current assets which fluctuate due to changing volume of business. It is generally required for a short period.

Capital Structure

Ownership Capital: Ownership capital is defined as funds invested by owners of business for permanent use, which entitle them to decide how business activities will be managed and what will be their share in the profits. It is also called risk capital because risk of losses and of low return rates are linked with this capital. This is used as permanent or long-term capital. Ownership capital may be used for financing fixed assets and investing continuously in current assets.

Borrowed Capital: Borrowed capital means funds raised by way of loans or issue of debentures, which entitle the investors to claim regular payment of interest and repayment of loan when due. One has to pay a fixed interest rate at regular intervals, in case of loans. If the money is borrowed, person has to pay interest and repay the principal amount as and when due money is borrowed in order to finance fixed and current assets and for short and long-term purposes. A proprietor of sole trader organisation can borrow money on his personal security or on security of his existing assets. Companies can borrow money by issuing debentures or bonds or by raising direct loans.

Methods of Raising Capital

(1) In order to raise long-term and medium-term capital, various methods are used by companies like:

(a) **Issue of shares:** Shares are of two types namely, equity shares and preference shares. Investors prefer shares in order to invest their money because they can be transferred easily and shareholders liability is limited to face value of shares. In case of equity shares, company doesn't have to bear the fixed burden because dividend rate on such shares depend on profits available and discretion of directors whereas in case of preference shares compulsory burden is not there on finances of the company. Dividend has to be paid only if there are profits at a fixed rate.

(b) **Issue of Debentures:** Debentures are issued as securities of specified face value. The interest rate to be paid on debentures is fixed at the time of issue. Debenture holders don't have to bear any kind of risk because they enjoy lower interest rate. Stable income companies enjoy higher returns on equity capital due to fixed interest on debentures, by trading on equity. Management is not affected because no voting right is provided by debentures. Adequate security cannot be provided by trading companies for issue of debentures because they don't have large fixed assets.

(3) Loans from Financial Institutions: Financial institutions like IFCI, ICICI, SIDC etc. provide long and medium-term loans to companies. These institutions provide loans against approved schemes or projects up to a maximum period of 25 years. Rate of interest in this method is lower as compared to market rate. Before sanctioning the loan, institutions evaluate the potential profitability of project and ability of company to pay its interest and repay the principal amount as and when due. A long time is taken by financial institutions to grant a loan.

(c) **Loans from Commercial Banks:** Banks provide medium term loans against security of properties and assets to the companies. In order to modernise and renovate the assets, funds can be borrowed from banks. Bank has no right to interfere with the company's management. No legal formality is required in this method except a mortage to be created on the assets. Companies can pay the loan in parts. Companies can even get short-term loans from banks on personal security of company's directors called clean advances.

(d) **Public Deposits:** Public deposits are the deposits raised from the public for medium or short-term financial needs. Companies can invite their shareholder employees and general public so that they can deposit their savings with the company, in order to raise funds. Such deposits can be received for a period up to three years at a time. In order to raise finance through public deposits, company has to advertise in the newspaper and give all details about its financial position as prescribed by Companies Act. Companies can offer higher interest rate in order to invite deposits. Companies cannot raise unlimited amounts of fund by using this method.

(e) **Retention of Profits:** When a part of annual profits is retained or re-invested in order to meet financial needs of a company and not distributed as dividend, it is called plouging back of profits. No legal formality is involved and company with a view to raise capital doesn't have to depend on external investors. It is a sort of self-financing of business and it can be used as a source of finance by on-going profitable companies. A company can retain more than 10% of current profits only after declaring minimum dividend rate consistent with the dividend distributed in the past.

(2) In order to raise short-term capital, companies adopt various methods like:

(a) **Trade Credit:** It is defined as outstanding amounts payable to suppliers of raw materials and consumable items and bills payable relating to credit purchases. Credit is provided by suppliers for a period of 3 to 6 months. When production and sale of goods increase, volume of purchases automatically increase and more of trade credit is available. If sales decline, purchases of materials also decline and trade credit as a source of finance also decline. It involves loss of cash discount and this cost is said to be the cost of trade credit.

(*b*) **Factoring:** Assignment of book debts to a bank and receiving cash in advance with the responsibility of collecting the debts taken over by bank on payment of specified charges is called factoring. Companies can secure finance with the help of factoring against debtors' balances before debts are due for realisation. The bank charges are said to be the cost of raising funds payable for the purpose (of factoring). Factoring doesn't provide its customers the facility of delaying payment which customers can get from the company.

***(c)* Discounting Bills of Exchange:** Bills are drawn for acceptance by buyers of goods, whenever goods are sold on credit. Bills have to be paid after 3 or 6 months. Companies don't hold the bills till maturity date. They pay a charge called bank discount and discount the bills with commercial banks. RBI prescribes the discount rate which is charged by banks. Discount charged by the bank is the cost of raising finance by this method. If on maturity date the bill is dishonoured, the bank returns it to the company that has to pay the amount due to the bank.

***(d)* Bank Overdraft and Cash Credit:** Under cash credit, bank on a continuing basis allows the companies to draw money as advance from time to time within a specified limit called cash credit limit. Interest is charged on the actual amount withdrawn. Companies get this facility against security of goods in stock or promissory notes or other marketable instruments such as government bonds. Overdraft is a temporary arrangement where bank allows the company to overdraw from its current deposit account with the bank up to a specified limit. Companies get this facility against securities. Higher interest rate is charged on cash credit and overdraft.

***(e)* Public deposits:** Such deposits are received for a period up to 3 years at a time. Shareholders, employees of the company and general public are invited so that they can deposit their savings with the company. Medium and short-term financial needs of the company can be fulfilled with the help of public deposits. It is not essential to cover the deposits by mortgaging assets or by other securities. Companies cannot raise unlimited amount of funds through public deposits.

Q. 3. What is Foreign Trade? What are Import Trade, Export Trade and Entrepot Trade? Discuss its importance and the related problems in Foreign Trade.

Ans. The well-being of a country is truely determined by the nature and extent of its foreign trade. If goods are to be produced, various resources such as men, money, machines etc. are required. No country has adequate resources and there are differences in the quality and quantity of domestic resources available in various countries. Foreign trade was born because of abundance or shortage of resources in various countries. A country, through foreign trade, can easily procure those goods which it cannot produce or cannot produce economically as compared to other countries. In foreign trade, goods and services are exchanged between people across national boundaries. It is also called international trade.

What is Foreign Trade?

Foreign trade means when goods or services are exchanged beyond the national boundaries of two or more countries. When trade takes place between people of any two nations, it is bilateral foreign trade and when people of any country buy from and sell to people of more than one country, it is multilateral foreign trade.

Types of Foreign Trade

Foreign trade is of three types:

1. Export trade: In this, goods are sold to a trader in any foreign country.

2. Import trade: In this, goods are purchased from a foreign country and brought into one's own country.

3. Entrepot trade: In this, goods are imported from a particular country with an aim of exporting them to some other country or countries.

Importance of Foreign Trade

Various factors that describe the importance of foreign trade are as follows:

1. Utilisation of resources: Foreign trade helps in utilising the resources in a best possible way. Country's economic development totally depends on exploitation of the natural resources.

2. Facilitates economic development: With the help of exports and imports, it is possible to facilitate rapid economic development and growth of national income. Because of imports and exports, UK, Japan etc, have achieved a high economic growth rate.

3. Equalisation of prices: Prices of goods all over the world can be equalised because of foreign trade. If prices of goods rise in a country, country can raise the level of its imports in order to control the rise in prices.

4. Employment opportunities: It helps in generating more employment in the country because it facilitates agricultural and industrial growth.

5. Harmonious relationship between countries: Every country with the help of foreign trade, can access to goods that it doesn't produce at home. This helps in promoting harmonious and friendly relationship among various countries.

Problems in Foreign Trade

1. Changes in supply and demand conditions: Exporters of international markets cannot easily anticipate the changes like increased competition of local producers due to changes in buyer's tastes and preferences or changes in supply and demand for certain products because of the entry of new competitors.

2. Frequent price changes: Various factors like changes in exchange rates of currencies of importing and exporting countries, higher import duties or foreign rates can increase the foreign trade risks to a great extent.

3. Changes in exchange rate: This risk is an other foreign trade risk. In this, exporter or importer may have to bear the losses arising because of rate at which currency of importing countries is converted into currency of exporter's country.

4. Credit risk: Foreign trade is carried on a large scale and importer has to pay large and heavy amounts. Exporters have to bear the burden of credit risk because often goods are sold by them on credit. Risk of credit may arise from buyer's bankruptcy, default etc.

5. Time gap: The time taken in transportating goods from one country to another is longer because of the greater distance involved.

6. Political and legal problems: Because of changes in governments or capture of cargo by enemies etc, political risks may occur. Carrying legal proceedings in international country is expensive and complicated.

Q. 4. Explain the pervasivenenss of risks in business. Decribe various types of business risks and the steps involved in managing business risk.

Ans. Risk is said to be an uncertainty of occurence of economic loss. Risk can occur due to loss damage of property because of fire, floods, theft etc, or due to changing consumer tastes or any hazardous condition.

Risk prevails in all of the following main aspects of business:

1. Property and Personal Risks: Every firm has to bear the loss to its property and personnel due to factors like fire, flood, earthquake, explosion, wind-storm etc. A business has to face losses if some of these factors occurs.

2. Marketing Risks: Under marketing, various functions like buying, selling, storage etc. are included. Marketing activity involves all those activities essential to move goods from owners to consumers. Other functions of marketing activities are standardisation activity, research activity etc. For example: you wish to sell the goods as per your choice. But due to market conditions, you may have to sell them at lower prices and bear losses. All marketing activities involve risk.

3. Financial Risks: All firms are involved in borrowing money and extending credit to customers. There is an element of risk involved in both credit received and extended. Because of the bad debts, the firms have to bear the risks. Banks and other financial institutions may even cancel the loans because of bad business conditions. Firm has to bear the financial loss due to restricted operations because of less money.

4. Production Risks: Production losses may occur due to defective products because of faulty machinery and poor quality of raw materials, breakdown of machinery, uneconomical plant capacity, under utilisation of installed capacity etc. By making plans properly and carefully, one can avoid such risks.

5. Environmental Risks: Various environmental problems pose risks to firms like competition, changing tastes of customers, political developments, ecological issues, governmental policies etc. The above mentioned environmental factors have a great impact on each and every business enterprise.

Various types of business risks are as follows**:**

1. Pure and Speculative Risks: Pure risks are those risks in which the occurrence of events causes loss only. Such a risk when occur, never results in profit. Risks can be handled through insurance.

Speculative risks are those risks whose occurrence may either cause gain or loss. Risks are not handled through insurance.

Firms have to find out ways to handle such risks. Owners take decisions relating production, marketing, finance etc. with a view to fetch profits but there are possibilities of incurring losses also.

2. Dynamic and Static Risks: Dynamic risks are those which occur by an ever-changing business environmental factors like competition, technology, consumer wants etc. These risks are closely associated with speculative risks.

It is not always possible to handle dynamic risks by insurance. Whereas static risks are those which occur even if there are no changes in the business environment. These risks are related to pure risks. Static risks can be handled through insurance. For example: fire which is a static risk maybe caused by an irrate crowd during a demonstration which is a dynamic risk.

3. Risk Classified by Loss Severity: Risk may be classified into three groups as follows**:**

Group 1 consists of those small losses which do not disturb a firm's basic finances. Such risks can be handled by various internal methods. **Group 2** consists of those much bigger losses which would need borrowing or selling firm's property. Such risks can also be handled by various internal methods. **Group 3** consists of those losses which might bankrupt the firm. With the occurrence of such risks, the firm may not survive. Such risks are not under the internal capabilities of the business firms.

4. Objective and Subjective Risks: Risk which declines as a proportion when larger and larger number of events are involved is said to be the objective risk. Subjective risk is defined as the uncertainty of an event as seen or perceived by an individual.

Different people have different perceptions towards risk.

Business risk is uncertainty of occurence of economic loss to a business firm in the event of any business activity. Risks prevail in all types of activities of business firms. Businessmen may face variety of risks like risk of loss or damage of property due to fire, floods, theft etc, risk of changing consumer preferences etc. Business firms have to bear losses due to large number of risks.

The process of risk management is as follows**:**

1. Risk identification is the first step and one should identify all types of loss expenses of his business. If you don't identify the risks, you won't be able to deal with them.
2. Next step is to assess the intensity of financial loss. Through this assessment, one can pay more attention to more serious loss. Two aspects should be determined at this stage–probability of occurrence of each of the risk identified in first stage and extent of financial loss to the firm.
3. Management has got six tools namely assumption, loss prevention, awoidance, transfer, separation and combination. The third step is to consider various tools of risk management and decide upon the best combination of tools to be used for overcoming the problem.
4. The next step is the implementation of the decision made. For example: you have to get the insurance policy at this stage, if you have decided to transfer the risk in the previous stage.
5. Finally, you nane to evaluate the effectiveness of the risk management tools you have implemented.

Q. 5. Write notes on the following:

***(a)* Instruments of Government Control**

Ans. ***Instruments of Government Control***

If objective is to induce certain kinds of trade through bank credit, subsidy, financial assistance, tax concessions etc government's control measures may have inducive effects on business. On the other hand, if some measures are taken with a view to restrict private trade and industry by legal enactment, such measures may have restraining effects on business. For example: control over capital issues, fixation of maximum price etc.

Direct and Indirect Controls are two types of control measures:

1. Direct Controls: Such measures are applied at the discretion of government authorities. For example: control over issue of shares and debentures, fixing prices for commodities, grant of subsidies, incentives for export promotion etc.

2. Indirect Controls: Private firms are affected by such controls in an indirect manner. For example: tax rates may be increased to discourage the business and decreased to encourage the business, import duties may be increased to increase the prices of imported good and decreased to allow large imports, export duties may be increased and decreased with a view to influence the domestic demand and supply and changes in interest rates on bank loans.

***(b)* Departmental Organization**

Ans. It is an organisational form where a public enterprise is organised, financed and controlled in the same way as the government department. It is subject to budget accounting and audit controls and it is the minister who controls the overall working of such organisation. Employees are civil servants and legislature is the ultimate authority to whom minister is answerable for its efficient operations.

Features of Departmental Organization:

1. This organisational form is subject to budget, accounting and audit controls.
2. Without the consent of the government, this organisation form cannot be sued. It enjoys sovereign immunity of the state.
3. As employees are civil servants, their terms and conditions of service are similar as compared to other government employees.
4. This form has to depend upon government for the finances. They can take the finances from the treasury of the government through annual budget and have to pay back the revenue into the treasury.
5. The duty of the minister is to delegate the authority to various organisational levels because the overall control lies in his hands.

Merits of Departmental Organisation:

1. Maximum degree of government control: Social obligations of government can be met effectively because government control is maximum in this organisational form.

2. Government control over economic activities: Such organisations can be used freely by the government as instruments of its social and economic policy. The reason behind such a freedom is that it has got control over economic activities.

3. Multiplies economic progress: The surplus or profit obtained from departmental organisation helps in increasing the revenue of the government. This revenue can be used in order to achieve economic progress of nation and for welfare of people.

4. Limited scope to misuse public funds: There is less danger of misuse of public funds because such organisations are under the control of concerned ministry and the minister is answerable or accountable to the parliament completely.

5. Responsible to Parliament: A departmental organisation cannot claim certain privileges from Parliamentary Scruting because it is responsible to Parliament for everyday operations.

Limitations of Departmental Organisation:

1. Absence of competition and profit motive: This form of organisation do not work in order to earn profit. It is formed with a view to provide services. It do not run on commercial principles which are said to be very important for its success.

2. Excessive parliamentary control: Decisions may get delayed because minister is completely accountable to Parliament for day-to-day activities. Because of this, the scope for initiation and skill is also hampered.

3. Lack of professional expertise: Such organisations are managed by civil servants who often lack of professional skills and expertise. There is a delay in decision-making because such organisations rigidly adhere to procedures and formalities.

4. Bureaucracy and red-tapism: These two evils are found in departmental organisation. Not much scope for initiation exists due to the reason that each decision is taken depending upon rules and regulations.

5. Financial problems: As these organisations are not allowed to raise finances all by themselves, they have to completely depend upon the government in order to raise their capital. There is not much flexibility in financial matters because such a form is subject to budget, accounting and audit controls.

***(c)* Features of Public Institutions**

Ans. It is an enterprise where a return on investment is expected because it is an industrial, commercial or business activity of the government. Such enterprises consist of private organisations and enterprises promoted by government. It is owned and managed by central, state or local government.

Public enterprises aim at achieving social welfare and upholding public interest whereas private firms carry on their business with a view to earn profits. Public enterprises are answerable to government and legislatures regarding the objectives. On the other hand, private firms are free to set objectives and can perform any activity related to business except illegal activities.

Features of Public Enterprises

1. Public policies created by government govern public enterprises and they aim at maximising social welfare and are not guided only to earn profits.
2. Government or government agencies own and manage public enterprises.
3. Government provides the whole or a major part of the capital needed for such enterprises.
4. Public enterprises are answerable to government and legislatures regarding the fulfilment of their objectives.
5. It can be organised as a statutory corporation or government company or departmental organisation.

***(d)* Government companies**

Ans. It is a company registered under the Indian Companies Act in which not less than 51% of paid-up share capital is held by central government or any state government or partly by central government and partly by one or more state governments. Board of Directors and elected members of private shareholders manage a government company. It is not subject to budget, accounting and audit controls. It enjoys financial autonomy and independent staffing system.

Features of Government Company

1. Employees are not civil servants and are appointed on the terms and conditions of the company.
2. It is necessary that such companies should present their annual reports, audit reports and accounts to the legislature.
3. Money can be borrowed by such companies from financial institutions and general public.
4. Such a company can enter into contracts and buy property in its own name because it is a legal entity and an artificial person created by law.
5. Government may own such a company wholly or partly but its share is not less than 51% in such a company.
6. Government company is managed by Board of Directors nominated by government and elected members if any of private shareholders.

Merits of Government Company

1. Easy to form: Government can easily form such a company without getting a bill passed by the legislature. It can establish or form a new company, if it wants to start a new activity.

2. Facilitates private participation: These is a scope for private participation in capital and management. Government can easily facilitate private participation by selling a part of equity of a company to the public.

3. Easy to transfer ownership: The transfer of ownership becomes easy if the price is decided at which shares are to be transferred. Ownership can be transferred by selling the shares to the private party.

4. Easy to bring changes in constitution: As most of the companies are under the control of the government, government can make amendments in the Articles of the company and pass resolution in the meeting as and when required.

5. More autonomy: Government companies enjoy financial autonomy and they have their own charter, freedom in personnel matters, self-sufficiency in finance, autonomy of operations etc.

6. Flexibility in operations: Because of the absence of evils like red-tapism and bureaucracy, government company can take quick decisions on any matter affecting its business. Employees of such companies are not civil servants.

■■